

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
FEBRUARY 12, 2004

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Attending the meeting from the Department were: Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; James M. Cooper, Deputy Director, Depository Division; Chuck T. Stumpf, Deputy Director, Administration Division; John Schroeder, Supervisor, Administration Division; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Senior Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Supervisor, Consumer Credit Division and Gloria Thompson, Credit Union Division. Guests were: Ken Knapf, Vice President, Consumer Lending, Horizon Bank and Ed Keirn, Barnes & Thornburg. Representing Individual Assurance Company (IAC) were: Greg Janssen, Vice President/Sales and Charles Cain, Executive Vice President/Treasurer. Also attending the meeting were Colleen Shere, Executive Assistant to the Governor and Michael R. Brown, Vice President of Executive Media.

I. EXECUTIVE SESSION:

Mark Powell opened the session that was authorized by IC 5-14-1.5-6.1 (b)(7) for purposes of discussing the review of the continuing report of Jet Credit Union, Indianapolis, Marion County, Indiana, which is confidential as provided in IC 28-1-2-30.

II. PUBLIC SESSION:

- A.) Members Present: David A. Bochnowski, Chairman; Loretta Burd, Vice Chairman; Tony Zaleski, David Baer, Michael Davis and Briget Polichene.
- B.) Date of next meeting: March 11, 2004 @ 9:00 a.m., at the office of the Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.
- C.) A motion was made for approval of the minutes of the meeting held December 11, 2003, by Loretta Burd and was seconded by Briget Polichene. The minutes were unanimously approved.
- D.) No action was taken from the executive session, as the information was advisory only.
- E.) **CONSUMER CREDIT DIVISION:**
 - 1. Mark Tarpey, Supervisor, Consumer Credit Division, presented a brief summary of a joint request the Department received from Horizon Bank, N.A. of Michigan City and Individual Assurance Company (IAC) of Prairie Village, Kansas. The request is to seek approval of the proposed fees offered in conjunction with a debt cancellation program on direct consumer loans.

Staff has determined that a depository institution can offer debt cancellation as a power incidental and proper to the business of banking under IC 28-1-1-3.1.

Mr. Tarpey explained that if a depository institution offers debt cancellation on consumer purpose loans and the cost of the coverage is to be excluded from the finance charge, then the Members must approve such charge as an additional charge under IC 24-4.5-3-202 (1) (e) of the Indiana Uniform Consumer Credit Code (IUCCC). The statute requires that the charge be reasonable in relation to the benefits to the debtor.

Mr. Charles Cain, Executive Vice-President/Treasurer of IAC, the third party administrator, presented an overview of the debt cancellation program. The program will offer six (6) different variations of coverage. This will include accidental death, disability, involuntary unemployment, and all coverage life. The cost on closed-end credit agreements will range from 7.75% of the monthly payment to 32.5% of the monthly payment for full, joint coverage. Rates for the open-end coverage will be based on the outstanding balance and will range from \$1.90 per \$1000 of the outstanding balance up to \$4.23 for full, joint coverage. All coverage will be month to month rather than lump sum. There will be a contractual liability policy issued by Empire Fire and Marine.

Mr. Baer and Ms. Polichene asked for clarification about a National Bank like Horizon asking for approval of a program. Mr. Goddard explained that if the loans are consumer purpose and are made in Indiana then they would be subject to the IUCCC. It was also discussed that the approval is being requested jointly by the bank and IAC as third party administrator. IAC can market the program to other depository institutions upon approval.

Ms. Polichene asked about the expected loss ratio for the debt cancellation program(s). Mr. Cain advised that the estimated loss ratio is 50%.

After further general discussion of the program, Mr. Baer made a motion, which was seconded by Ms. Burd recommending approval. This is subject to the program being in compliance with 12 CFR parts 7 and 37. The program is subject to review in 24 months as required by the Department. Mr. Bochnowski asked that it be noted that the program was approved with no lump sum option being offered. This would help establish the Board's concern that debt cancellation programs that are presented would be month-to-month type programs rather than lump sum. The motion was approved unanimously.

2. ADOPTION OF INDIANA UNIFORM CONSUMER CREDIT CODE DOLLAR AMOUNT CHANGES:

Donna Kaye, Assistant to the Supervisor in the Consumer Credit Division, presented the Members with a request for approval of the dollar adjustments to the Indiana Uniform Consumer Credit Code (IUCCC) as provided in IC 24-4.5-1-106. There are eight (8) different dollar amounts in the IUCCC that are subject to change every July 1 of the even numbered years based on changes in the Consumer Price Index (CPI). The applicable provisions of the CPI have increased by 184.3% as of December 31, 2003. The dollar adjustment will be 10% of the original dollar amounts provided in the statutory section. The dollar amounts have increased a total of 230% since the IUCCC was originally passed in 1971.

Ms. Burd made a motion for approval and was seconded by Mr. Zaleski. The motion was unanimously approved.

F.) DIRECTORS COMMENTS:

1. James Cooper, Deputy Director presented to the Members for approval the final revised Policy to Establish Accounting and Auditing Standards pursuant to IC 28-13-10-8. The revised Policy is as follows:

POL-001-04

Effective 2/12/04

**POLICY TO ESTABLISH ACCOUNTING AND AUDITING STANDARDS PURSUANT
TO I.C. 28-13-10-8**

ANNUAL AUDIT

Effective July 1, 1992, I.C. 28-13-10-8 requires the Board of Directors of each corporation to engage a Certified Public Accountant to perform an examination (audit) of the corporation one time each calendar year. I.C. 28-10 defines a corporation for the purposes of IC 28-13 as:

- (1) A bank and trust company.
- (2) A bank.
- (3) A savings association.
- (4) A mutual savings bank formed as the result of a conversion under IC 28-1-21.7 and governed by IC 28-6.1.
- (5) A stock savings bank that was:
 - (a) formed as the result of a conversion under IC 28-1-21.8 or IC 28-1-21.9; or
 - (b) incorporated under IC 28-12;
and governed by IC 28-6.1.
- (6) A trust company.
- (7) A corporate fiduciary.

An Industrial Loan and Investment Company is subject to the accounting and auditing standards of this policy pursuant to IC 28-11-3-1(c).

The Department establishes the following accounting and auditing standards necessary to comply with the examination (audit) requirements of IC 28-13-10-8 and IC 28-11-3-1(c) by the adoption of this policy. The corporation must utilize one the following options to comply with the requirements of this policy:

1. Full Scope Audit

The Board of Directors of the corporation may engage an independent Certified Public Accountant or firm of Certified Public Accountants, to perform an audit of the corporation's financial statements in accordance with applicable Generally Accepted Auditing Standards

(GAAS) and include financial statement disclosures in accordance with applicable accounting principles generally accepted in the United States of America.

An audit of the corporation's holding company will satisfy the requirements of the statute for the corporation if the audit is conducted in accordance with the requirements of this option. The Department reserves the right pursuant to IC 28-11-3-1 to require a subsidiary of a holding company to undergo separate external auditing and reporting procedures if deemed necessary and appropriate by the Department.

2. Restricted Scope Balance Sheet Only Audit

The Board of Directors of the corporation may engage an independent Certified Public Accountant or firm of Certified Public Accountants to perform an audit of the corporation's balance sheet in accordance with applicable GAAS, except that an evaluation of the adequacy of the allowance for loan and lease losses account may be omitted. In performing the audit, the Certified Public Accountant or firm of Certified Public Accountants must follow the applicable auditing and accounting guidelines for banks and savings institutions established in accordance with standards generally accepted in the United States of America. The corporation's balance sheet must be presented in accordance with applicable Generally Accepted Accounting Principles in the United States of America (GAAP). An "except for" opinion is required when a restricted scope balance sheet only audit is performed. A "disclaimer of opinion" based upon a scope restriction is not an acceptable opinion.

Additional requirements of these options are as follows:

- A.** Communications required pursuant to applicable GAAS concerning internal control structure and other related audit matters must be in compliance with current Statement on Auditing Standards (SAS) literature except that all such communications must be documented in writing in the management letter.
- B.** The audit report, any required communication pursuant to generally accepted auditing standards, and any other material written communications from the Certified Public Accountant or firm of Certified Public Accountants must be submitted to the Department within 120 days of the balance sheet date.
- C.** All audit services required by this policy shall be performed only by an independent Certified Public Accountant or firm of Certified Public Accountants who: (1) has agreed in writing to provide the Department access to all work papers and other audit documentation requested by the Department; and (2) is currently in compliance with a quality review program that meets guidelines which are acceptable to the Director of the Department. A Certified Public Accountant or firm of Certified Public Accountants will automatically qualify under this requirement if it has received a current unqualified report while enrolled in an American Institute of Certified Public Accountants approved practice monitoring program. An independent Certified

Public Accountant or firm of Certified Public Accountants receiving a quality review report

other than that described above must submit the report to the Director of the Department together with a request for approval to provide services required by this Policy. The Director of the Department will advise the accountant in writing whether the request is approved or denied.

- D.** Each corporation shall provide written notification to the Department of the resignation or dismissal of the corporation's independent auditor or the engagement of a new independent auditor by the corporation. A notification disclosing the reasons for such change must be submitted to the Department within fifteen (15) calendar days of the occurrence of the event.

AUDIT POLICY

The Board of Directors of the corporation shall establish an audit policy addressing internal and external audit programs, and review its appropriateness annually. The review shall be documented in the minutes of the Board meeting.

The policy must address the provisions detailed in the following federal issuances:

1. Interagency Policy Statement on the Internal Audit Function and its Outsourcing dated March 17, 2003,
2. FIL-17-2003 issued by the Federal Deposit Insurance Corporation titled "Corporate Governance, Audits, and Reporting Requirements", and
3. Statement on Application of Recent Corporate Governance Initiatives to Non-Public Banking Organizations dated May 5, 2003 issued by The Federal Reserve Board, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

Corporate governance, auditor independence, and the various other requirements detailed in these issuances will be reviewed and assessed during the examination process. Nondepository trust companies and corporate fiduciaries should follow the requirements of the Interagency Policy Statement on the Internal Audit Function and its Outsourcing dated March 17, 2003 and FIL-17-2003 to ensure compliance with this policy.

The Members of the Indiana Department of Financial Institutions formally adopted this policy on February 12, 2004.

David Bochnowski, Chairman

A motion was made by Mr. Baer to approve the revised Policy and was seconded by Ms. Polichene. The motion was unanimously approved. The original signed copy of the Policy is to be placed in the

official minute books and can also be found on the Departments web site.

2. John Schroeder, Supervisor, Administration Division updated the Members on Legislative Actions and House Bills. They are as follows:

HB 1230

§ 8 – Preemption language. Applies to state chartered banks, savings associations, and credit unions. The OCC has proclaimed that national banks are not subject to many state laws, particularly with respect to lending activities. DFI, and all state bank regulators, the nation's governors and AGs, the nation's state legislators, and many members of Congress disagree with the OCC's position and actions. And though the DFI does not agree with the OCC, we cannot have a situation where, if the OCC ultimately prevails, our state-chartered institutions are left in a disadvantaged position. This language would allow for equal footing in the event the OCC prevails. An entity would have to prove to DFI that the law is indeed preempted for federally chartered institutions, that it does not raise safety & soundness concerns, that it does not result in an unacceptable curtailment of consumer protection provisions, and that failure to extend preemption will result in a competitive disadvantage to the state chartered institutions.

Subs are not included as we view that as a real stretch by the OCC, and do not want to extend even tacit acknowledgment/legitimacy of their position. If they prevail relative to subs, we will return to the legislature for remedies.

§§ 2, 4, & 12 - Expands **parity laws** related to state chartered banks, savings associations, and credit union. Enhances the ability of the DFI to allow these institutions to operate on a level playing field with their federal counterparts. Adds "to engage in other activities" authorized for federally chartered counterparts to the current language related to "products, services, and investments." Generally would apply to operations of the bank – states have used to allow banks to set up loan production offices, deal alternatively with OREO, etc.

§§ 5 & 6 – Addresses concerns related to the increased activity and scrutiny associated with the **money transmitter** business. Increases the required bond (doubled) for these companies and the required level of insurance (effectively quadrupled) against criminal acts or dishonesty. Safety and soundness issues have been heightened – somewhat akin to customer deposits, need protection.

§ 11 – Allows the Director of the DFI to **appoint replacement board members** for institutions under certain circumstances, with service of only a limited duration. Invoked if vacancies are not filled by competent candidates within a reasonable period of time, to serve until replaced or affirmed in normal election process, for a period of not longer than two years.

§§ 1, 7, 9, & 10 - Date changes and **technical amendments** for references to federal laws

and regulations.

§ 3 – Increased the level of **public deposits** a credit union may accept. Not a DFI proposal, added by CU League and modified after discussions w/ IBA. Doubled cap rather than eliminated it.

HB 1230 passed 3rd Reading out of the House 92-0.

Potential Amendment in the Senate

SB 309 did not receive a hearing in the Senate. The IBA has approached the DFI about including some/all of its contents in **HB 1230**. We have a meeting w/ IBA folks on Friday to discuss this. **Digest on SB 309:** Allows a trust company or trust department of a bank acting in a fiduciary capacity to purchase ancillary services and products through or directly from the trust company or trust department of a bank. Makes an investment management or a custody account with a trust company or trust division of a bank with trust powers subject to the uniform act on transfer on death securities.

HB 1229

Predatory lending bill. Takes federal legislation (Federal Home Ownership and Equity Protection Act “HOEPA”) and adds additional consumer protection provisions. Similar bill introduced in Senate. Competing bill also introduced in the Senate. Neither Senate bill received a hearing.

Initial supporters: Consumer advocacy groups, most notably AARP.

Initial detractors: Many groups within the consumer lending industry – depository institutions are exempted (banks, thrifts, credit unions)

Points of agreement: Properly funded Homeowner Protection Unit within AG’s office to effectively fight deceptive practices and fraud. Need to determine real cause of high foreclosure rate in IN.

Points of contention: Consumer advocates do not believe HOEPA and other existing state and federal laws provide adequate consumer protections, while the lenders believe the federal laws are too new to criticize for lack of effectiveness. The lenders also argue that mortgage lending is a national issue and that state and local legislation are counterproductive. Among the issues that have been or currently are up for grab and debate are: The viability of the HOEPA triggers (both level and definition) for the determination of a “high cost loan,” specifically triggers related to interest rate and points & fees; assignability (brining securitization, 2ndary market issues); arbitration; repayment ability; prepayment penalties; loan flipping (net tangible benefit); balloon payments; late fees, etc. These have apparently been eliminated in the latest version. There has been a lot of compromise on this bill, and discussions between the two factions continue. **The bill passed**

out the 3rd reading 96-0, recommitted to a committee of one to adopt additional amendments. The additional amendment appears to carve loans into two tiers (< \$40K and > \$40K) in determining if,

based on points and fees, the loan is a high cost loan, thus bringing additional consumer protections.

DFI position – Neutral

- Our depository institutions have been exempted. The other lenders we regulate are vigorously defending their position.

SB 405

Revisions to the Small Loan Act (**IC 24-4.5-7**) that was enacted during the 2002 legislative session. DFI management has been pleased with the cooperation exhibited by the payday lending industry, and has reviewed their operations and profitability. The legislation enacted in 2002 was intended to balance the obvious demand for this product with concerns for consumer protection. The act is among the strictest payday lending laws in the country. In fact, the constraints resulted in operating losses in many companies. DFI senior management has reviewed financial results for the industry, and the DFI staff supports revisions that will provide revenue enhancement opportunities to the industry, while maintaining consumer protection provisions. Specifically the DFI proposes a 15% maximum finance charge on all funds, rather than the current 15%/10% stair-step approach. The \$35 cap will also be eliminated. Another revision would eliminate confusion between “renewals” and “consecutive loans” and more clearly define limits (six renewals) intended to avoid the “debt treadmill.” Additionally, the limitation on the amount of loan would be 15% of gross income as opposed to the current level of 20% of net income. The maximum size of the loans will be increased from \$400.99 to \$500. Remaining intact will be the various consumer protection provisions included in 24-4.5-7-410, such as those preventing payday lenders from seeking treble damages and attorney fees.

New amendment to specifically outlaw rebate programs.

Passed 3rd reading in the Senate 44-3.

SB 216

Provides that the office of the treasurer of state is the purchasing agency for banking services for the state. Requires the treasurer of state to use the purchasing power of the state to limit the amount of fees the state pays for banking services. Provides that the statute covering purchases of services applies to purchases of banking services for the state. Achieving economies of scale is obviously something that should be considered in State government. However, the DFI currently pays not fees for its only checking account, and we would hate to see that change in this “cost-saving initiative.”

Passed 3rd reading in the Senate 49-0.

SB 222

To clarify an issue that was somewhat muddled last year. Permits the use of the word "bank", "banc", or "banco" in the name of a subsidiary of: (1) a bank or trust company; and (2) a bank

holding company. Permits the secretary of state to administratively dissolve a business entity whose name contains the term "banc" or "banco" in violation of financial institutions law. (Current law allows the secretary of state to take this action in the case of an entity whose name contains the term "bank".)

Passed 3rd reading in the Senate 47-0.

3. UPDATE ON COMMUNITY FIRST FINANCIAL:

Supervisor Tarpey updated the Members on the current status of the revoked loan license #8408 issued to Community First Financial. The license was revoked October 17, 2003, due to failure to make refunds of customer overcharges. The licensee's attorney filed a request for a Temporary Restraining Order (TRO) and a request for an administrative hearing with the Marion County Court. The office of the Attorney General suggested that DFI move forward with an administrative hearing. Mr. Brad Lawrence, President of Community First Financial and Mr. Geoffrey Grodner, his attorney, asked for a preliminary meeting with representatives of the DFI. The purpose of the meeting was to see if a satisfactory resolution could be found that would not involve further administrative or judicial action. A meeting was held on January 14 at the DFI. Mr. Lawrence indicated that a new Manager had been hired. Also, new loan agreements and loan software were purchased to ensure compliance. The DFI will conduct a follow-up visit to ensure that all corrective action has been taken. If all issues were satisfactorily resolved, then the Department would not be opposed to an agreed entry being filed with the Marion County court to conclude this matter.

4. Main Source Bank, Greensburg, Decatur County, Indiana

The bank notified the Department that they closed the branch office that was known as the "Thompson Road Branch" located at 5249 E. Thompson Road, Indianapolis, Marion County, Indiana. The branch office closed on December 5, 2003 @ 5:00 p.m. **This item was for informational purposes only.**

5. German American Bank, Jasper, Dubois County, Indiana

The bank notified the Department that they closed the branch office that was known as the "German American Bank Branch" located at One Riverfront Place, 20 Northwest First Street, Evansville, Vanderburgh County, Indiana. The branch closed on December 19, 2003 @ 5:00 p.m. **This item was for informational purposes only.**

6. State Bank of Liztion, Lizton, Hendricks County, Indiana

The bank notified the Department that they closed the branch office that was known as the "Advance Branch" located at 108 Main Street, Advance, Boone County, Indiana. The branch closed on December 31, 2003 @ 5:00 p.m. **This item was for informational**

purposes only.

7. **First Community Bank & Trust Company, Bargersville, Johnson County, Indiana**

The bank notified the Department that they closed the branch office that was known as the "Westminster Village North" located at 11050 Presbyterian Drive, Indianapolis, Marion

County, Indiana. The branch closed on December 31, 2003 @ 5:00 p.m. **This item was for informational purposes only.**

G. **DIRECTOR'S DELEGATED ACTIONS:**

1. **SAND RIDGE BANK, HIGHLAND, LAKE COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **County Road 350 South and Concord Road, Lafayette, Tippecanoe County, Indiana**. The application was received on November 21, 2003. The branch is to be known as **Sand Ridge Bank**. The bank is proposing to build a 3,000 square foot facility. The land is under contract for an agreed upon price of \$834M. Additional projected costs consists of: 1) construction costs of \$1,230,000, 2) land improvement costs of \$205,000, and 3) furniture, fixtures, and equipment cost of \$275,000. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 1.44%. As of September 30, 2003, the bank's ROA is 1.38% and its Tier 1 leverage capital ratio is 6.71%. The investment in total fixed assets to total capital will be 20.69% after the establishment of the branch. This will be the institution's twentieth branch. **The Director approved this on December 22, 2003, under delegated authority.**

2. **NORTH SALEM STATE BANK, NORTH SALEM, HENDRICKS COUNTY, INDIANA**

The bank has applied to the Department for approval to acquire interest a minority interest in a non-qualifying subsidiary to be known as Lenders' - North Salem, LLC ("Lenders"). The application was received on October 17, 2003. The bank will acquire a 50% interest in Lenders. Lenders Title, LLC, a company headquartered in New Albany, Indiana, will own the other 50% interest. The purpose of the subsidiary is to provide loan-closing services, including title services, for the bank. The subsidiary will not be insuring any transactions nor will it be providing any title insurance of its own. It will only act as an agent for Fidelity National Title Insurance Company. The bank's three-year average ROA is 0.87%. As of September 30, 2003, the bank's ROA is 1.03% and its Tier 1 leverage capital ratio is 8.08%. Based on the information provided in the application, the investment by the bank in Lenders' -North Salem, LLC meets the criteria established in the Department's Policy for Establishing a Bank Subsidiary. **The Director approved this on December 22, 2003, under delegated authority.**

3. **1ST SOURCE BANK, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **926 Erskine Plaza, South Bend, St. Joseph County, Indiana**. The application was received on December 2, 2003. The branch is to be known as **Erskine Plaza Branch**.

The proposed branch is a 900 square foot office inside a Martin's Super Market. The bank is leasing the space from an independent third party with an annual rental of \$40,4000 for the first year increasing to \$48,000 for the second year and \$55,000 for each of the remaining three years of the lease. The term of the lease is for five years with one five-year option. It is estimated that there will be \$106,750 worth of leasehold improvements to make the site into a

banking facility. Furniture, fixtures, and equipment costs are projected at \$125,250. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 0.95%. As of September 30, 2003, the bank's ROA is 0.61% and its Tier 1 leverage

capital ratio is 9.73%. The investment in total fixed assets to total capital will be 9.55% after the establishment of the branch. This will be the institution's fifty-ninth branch. **The Director approved this on December 22, 2003, under delegated authority.**

4. CENTIER BANK, WHITING, LAKE COUNTY, INDIANA

The bank has applied to the Department for approval to establish a branch office to be located at **73 Pine Lake Avenue, LaPorte, LaPorte County**. The application was received on December 16, 2003. The branch is to be known as **Centier Bank**. The bank will purchase the land and building for \$220,000 from an independent third party. Renovations to the building are projected to be \$500,000. Furniture, fixtures, and equipment costs are projected at \$150,000. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 1.29%. As of September 30, 2003, the bank's ROA is 1.47% and its Tier 1 leverage capital ratio is 8.38%. The investment in total fixed assets to total capital will be 12.15% after the establishment of the branch. This will be the institution's thirty-third branch. **The Director approved this on December 22, 2003, under delegated authority.**

5. STAR FINANCIAL BANK, FORT WAYNE, ALLEN COUNTY, INDIANA

The bank has applied to the Department for approval to establish two (2) branch offices and to relocate two (2) branch offices. The branch offices are to be located at 1) 14160 Mundy Drive, Suite 100, Noblesville, Hamilton County, Indiana and 2) 230 East New Road, Greenfield, Hancock County, Indiana. The proposed branch relocations are 1) 919 East 53rd Street, Anderson, Madison County, Indiana from 821 East 53rd Street, Anderson, Madison County, Indiana and 2) 1523 East Cross Street, Anderson, Madison County, Indiana from 1845 North Scatterfield Road, Anderson, Madison County, Indiana. The branch on Mundy Drive will be leased from an independent third party. The lease is for five years with two renewal options for five years each. Monthly rental payments are \$7,500. The bank will own the remaining three branches. The total estimated costs for the four (4) branch locations are estimated at \$3,761M. No relationship exists between parties involved in this transaction. The bank's three-year average ROA is 0.93%. As of September 30, 2003 its Tier 1 leverage capital ratio is 8.55%. The investment in total fixed assets to total capital will be 21.89% after the establishment and relocation of the branches. The bank will have forty-seven branches. **The Director approved this on January 5, 2004, under delegated**

authority.

6. PEOPLES TRUST & SAVINGS BANK, BOONVILLE, WARRICK COUNTY, INDIANA

The bank has applied to the Department pursuant to IC 28-13-3-3 for approval to buy back 222 shares of its outstanding common stock. The common stock the bank is requesting approval to buy back represents shares of stock owned by shareholders who voted in opposition to the Plan of Exchange between the bank and Peoples Bancshares Corp. All

stock purchased would be retained as authorized but unissued shares. The Plan of Exchange was consummated on December 31, 2003. The Board of Directors of the bank adopted a resolution on December 23, 2003 to offer to redeem the shares owned by each of the dissenting shareholders at a price of \$4,167.00 per share. The purchase price is based on an appraisal performed by an independent third party. As of September 30, 2003, the bank's Tier 1 leverage capital ratio was 25.00%. On a pro forma basis as of September 30, 2003, if all of the dissenting shareholders accept the offer, the bank's Tier 1 leverage capital ratio would be approximately 24.00%. The bank's ROA as of September 30, 2003 was 0.98%.

The Director approved this on January 6, 2004, under delegated authority.

7. HOMEFEDERAL BANK, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

HomeFederal Bank is requesting until December 31, 2004, to divest of the bank's real estate joint venture projects. The Members approved the conversion of Home Federal Savings Bank from a federal stock saving bank to a state chartered commercial bank on October 11, 2001. The conversion was effective December 31, 2001. The Director approved the bank until December 31, 2003, to divest of its six joint venture projects unless an extension was granted. So far, two of the projects have been closed. The bank is requesting a one-year extension to divest of the remaining projects. IC 28-1-21.6-12 allows a period of up to ten (10) years from the effective date of conversion for a commercial bank to wind up any activities legally engaged in by the converting institution that are not permitted to a commercial bank. Approval is recommended to allow the bank until December 31, 2004 to divest of the estate joint venture projects. Should the bank not be able to divest of them within this time frame another request to the Director for additional time will be requested.

The Director approved this on January 16, 2004, under delegated authority.

8. PEOPLES TRUST AND SAVINGS BANK, BOONVILLE, WARRICK COUNTY, INDIANA

The bank has applied to the Department for approval to establish a branch office to be located at **705 State Street, Newburgh, Warrick County, Indiana**. The application was received on December 29, 2003. The branch is to be known as **Peoples Trust and Savings Bank**. The bank will purchase the land and building from Old National Bank, Evansville, Indiana for \$751M. Furniture, fixtures, and equipment costs are projected at \$249M. No insider relationship exists between any insiders of the bank and any of the parties involved in this transaction. The bank's three-year average ROA is 1.41%. As of September 30, 2003, the bank's ROA is 0.98% and its Tier 1 leverage capital ratio is 25.00%. The investment in total fixed assets to total capital will be 31.01% after the branch is opened. The bank will have two branches. **The Director approved this on January 28, 2004, under delegated**

authority.

9. **SPENCER COUNTY BANK, SANTA CLAUS, SPENCER COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch office to be located at **322 Main Street, Grandview, Spencer County, Indiana**. The application was received on January 7, 2004. The branch is to be known as **Grandview Branch**. The bank will purchase the land and building from Integra Bank, National Association, Evansville, Indiana for \$275M. Furniture, fixtures, and equipment costs are projected at \$50M. No insider

relationship exists between any insiders of the bank and any of the parties involved in this transaction. The bank's three-year average ROA is 0.61%. As of September 30, 2003, the bank's ROA is 0.72% and its Tier 1 leverage capital ratio is 9.64%. The investment in total fixed assets to total capital will be 30.70% after the branch is opened. The bank will have four branches. **The Director approved this on January 28, 2004, under delegated authority.**

10. **IRWIN UNION BANK AND TRUST COMPANY, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA**

The bank has applied to the Department for approval to establish two (2) branch offices. The branch offices are to be located at **1) 224 S. 200 W., Salt Lake City, Salt Lake County, Utah and 2) 401 N. Buffalo, Las Vegas, Clark County, Nevada**. The bank has entered into a Purchase and Assumption Agreement dated December 17, 2003, to purchase both branches from Irwin Union Bank, F.S.B., an affiliate due to common ownership of both banks by Irwin Financial Corporation. Total projected purchased assets of both branches consist of loans of \$13MM, fixed assets of \$740M, and servicing assets of \$125M. Liabilities to be acquired consist of deposits of approximately \$242MM. The bank is projecting a deposit premium of approximately \$3,200M with no premium for the loans. Both branches are leased from independent third parties. Monthly rent for the Las Vegas branch is \$11M. The lease expires in 2006 with a five-year renewable option. Monthly rent on for the Utah branch is approximately \$10M. The lease expires in 2007 with a five-year renewable option. Total furniture, fixture, and equipment expense is projected at \$452M with leasehold improvements totaling \$101M. The bank's three-year average ROA is 1.88%. As of September 30, 2003, its Tier 1 leverage capital ratio is 9.28%. The investment in total fixed assets to total capital will be 5.28% after the establishment of the branches. The bank will have twenty-three branches. **The Director approved this on January 28, 2004, under delegated authority.**

11. **FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Member Data Services, Inc. – Indianapolis – 162 members (common bond of occupation as

defined by 28-7-1-10).

Houghton Mifflin Company – Indianapolis – 125 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on December 10, 2003, under delegated authority.**

12. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Michiana Recycling & Disposal Services, Inc. – Niles, MI – 32 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on December 22, 2003, under delegated authority.**

13. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Airtron – Indianapolis – 135 members (common bond of occupation as defined by 28-7-1-10).

ExactTarget – Indianapolis – 61 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on January 5, 2004, under delegated authority.**

14. DOUBLE ELEVEN CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Ray Skillman Group – Indianapolis – 335 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on January 12, 2004, under delegated authority.**

15. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Employees of United Way of Central Indiana – Indianapolis – 90 members (common bond of occupation as defined by 28-7-1-10).

Common wealth Engineers, Inc. – Indianapolis – 60 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on January 23, 2004, under delegated authority.**

16. TEACHERS CREDIT UNION, SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

The credit union has filed a request for approval of a Petition for approval of a proposed Amendment to the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Moon Beads & Earth Wear – Niles, MI – 9 members (common bond of occupation as

defined by 28-7-1-10).

Niles Community Schools – Niles, MI – 600 members (common bond of occupation as defined by 28-7-1-10).

Kuber Hospitality, Inc. – Lafayette – 8 members (common bond of occupation as defined by 28-7-1-10).

Olympic, Inc. – Fort Wayne – 7 members (common bond of occupation as defined by 28-7-1-10).

Shiv Hospitality, LLC – Plymouth – 3 members (common bond of occupation as defined by 28-7-1-10).

Employees of the City of Niles – Niles, MI – 200 members (common bond of occupation as defined by 28-7-1-10).

Barbour & Sons, Inc. – Edwardsburg, MI – 2 members (common bond of occupation as defined by 28-7-1-10). **The Director approved this on January 26, 2004, under delegated authority.**

17. Americor Lending Group, Inc. is requesting a consumer loan license. Applicant is based in Irvine, CA. They will be making second mortgage loans. They will not be servicing their loans. The title company will close the loans. They currently operate in 27 states. **The Director approved this on December 19, 2003, under delegated authority.**

18. First Magnus Financial Corporation d/b/a Charter Funding is requesting a consumer loan license. Applicant is based in Tucson, AZ. They will be making second mortgage loans. They will not be servicing their loans. The title copy will close the loans. They currently operate in 49 states. **The Director approved this on December 19, 2003, under delegated authority.**

19. Home Star Mortgage Services, L.L.C. is requesting a consumer loan license. Applicant is based in Paramus, NJ. They will be making second mortgage loans. They will be servicing their loans. The title company will close the loan. They currently operate in 27 states. **The Director approved this on December 19, 2003, under delegated authority.**

20. KB Home Mortgage Company is requesting a consumer loan license. Applicant is based in Los Angeles, CA. They will be making second mortgage loans. They will not be servicing

their loans. Loans will be closed by title company/attorney. They currently operate in 11 states. Applicant is a wholly owned subsidiary of KB Home, a publicly traded NYSE Corporation (Ticket Symbol: KBH). **The Director approved this on December 19, 2003, under delegated authority.**

21. **Lenders Direct Capital Corporation** is requesting a consumer loan license. Applicant is based in Lake Forrest, CA. They will be making second mortgage loans. They will not be servicing their loans. The title company will close the loans. They currently operate in California. **The Director approved this on December 19, 2003, under delegated authority.**
22. **Sierra Pacific Mortgage Company, Inc.** is requesting a consumer loan license. Applicant is based in Rancho Cordova, CA. They will be making second mortgage loans. They will not be servicing their loans. The title company will close the loans. They currently operate in 20 states. **The Director approved this on December 19, 2003, under delegated authority.**
23. **Team Mortgage, L.L.C.** is requesting a consumer loan license. Applicant is based in Greenwood, IN with one branch in Fishers, IN. They will be making second mortgage loans. They will not be servicing their loans. The title company will close the loans. They currently do not operate in any other state. Applicant is also licensed as a loan broker in Indiana. **The Director approved this on December 19, 2003, under delegated authority.**
24. **BVIG Financial, L.L.C.** is requesting a check casher license. Applicant is based in Houston, TX. Applicant will have six locations in Indiana at Jackson Hewitt Tax preparation branches. References were all satisfactory. Fee will be 2% to 3%. They currently operate in Virginia with applications pending in six states. Applicant will be offering check cashing services at Jackson Hewitt Tax preparation branches in Indiana. Checks will be cashed using low cost automated teller type non-depository technology. **The Director approved this on December 19, 2003, under delegated authority.**
25. **American Consumer Credit Counseling, Inc.** is requesting a budget service license. Applicant is based in Newton, MA. They currently operate in 29 states. Applicant will not have either a physical location in Indiana nor anyone acting on their behalf (Agent) in Indiana. However, they want to operate in Indiana via phone, Internet, and/or advertisements. They want to voluntarily comply with the provisions of the Indiana Budget Service Company Act. **The Director approved this on December 19, 2003, under delegated authority.**
26. **Indiana Auto Pawn Cars, L.L.C.** is requesting a pawnbroker license. Applicant is based in Indianapolis. References were all satisfactory. They currently operate in Indiana. Applicant is taking over a former auto pawn location, which has engaged in auto pawns since 1996.

James Quillen, President and Jack Plunkitt, Vice President came for a pawn broking interview December 18, 2003. Division Supervisor Tarpey and Field Supervisor Bane represented the Department. Mr. Quillen is basically providing the monetary backing and location for the endeavor and Mr. Plunkitt will manage the business. They intend to accept only cars as pledges and will house them in a fenced-in area across the street from the pawnshop. Mr. Plunkitt has no pawn experience but has an extensive background in the consumer finance industry. Mr. Quillen is a Baptist Minister who will not necessarily be active in the day-to-day operations. There does not appear to be any reason to deny the application. **The Director approved this on December 19, 2003, under delegated authority.**

CERTIFICATION:

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the Public Session.

APPROVED:

ATTEST:

David A. Bochnowski, Chairman

J. Philip Goddard, Secretary